Government of Canada Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

August 2015: budgetary deficit of $2.3 billion

There was a budgetary deficit of $2.3 billion in August 2015, compared to a deficit of $0.3 billion in August 2014. Revenues increased by $2.8 billion, or 14.6 per cent, reflecting increases in all revenue streams, except other revenues. Program expenses increased by $4.4 billion, or 24.8 per cent, due mainly to adjustments recorded in August 2014 and August 2015 to reflect updated accrual estimates of pension and other employee and veteran future benefit costs based on the Government's latest actuarial valuations. Public debt charges increased by $0.5 billion, or 23.5 per cent, reflecting in part charges from an August 2015 bond buyback operation.

April to August 2015: budgetary surplus of $2.8 billion

For the April to August 2015 period of the 2015–16 fiscal year, the Government posted a budgetary surplus of $2.8 billion, compared to a deficit of $1.1 billion reported in the same period of 2014–15. Revenues were up $11.1 billion, or 10.3 per cent, reflecting increases in all revenue streams. Program expenses were up $7.4 billion, or 7.6 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $0.3 billion, or 2.1 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

August 2015

There was a budgetary deficit of $2.3 billion in August 2015, compared to a deficit of $0.3 billion in August 2014.

Revenues totalled $22.2 billion in August 2015, up $2.8 billion from August 2014.

- Personal income tax revenues were up $0.8 billion, or 6.9 per cent.
- Corporate income tax revenues were up $1.6 billion, or 334.3 per cent, reflecting assessments and reassessments for prior tax years as well as timing issues which lowered August 2014 revenues.
- Non-resident income tax revenues were up $0.1 billion, or 23.3 per cent.
- Excise taxes and duties were up $0.3 billion, or 8.0 per cent. This increase is mostly due to a $0.2-billion, or 7.8-per-cent, increase in Goods and Services Tax (GST) revenues. Energy taxes were up $20 million, customs import duties were up $0.1 billion, and other excise taxes and duties were up $8 million.
- Employment Insurance (EI) premium revenues were up $0.1 billion, or 3.8 per cent, reflecting growth in earnings.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were down $11 million.

Program expenses were $22.0 billion in August 2015, up $4.4 billion, or 24.8 per cent, from August 2014.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.9 billion, or 15.4 per cent. Elderly benefits increased by $0.1 billion, or 3.4 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.4 billion, or 29.1 per cent, primarily reflecting timing issues. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit (UCCB), increased by $0.4 billion, or 36.4 per cent, due mainly to the enhancement and expansion of the UCCB effective January 2015.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.2 billion, or 4.0 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses include transfer payments to individuals and other organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up $3.2 billion, or 49.6 per cent. Within direct program expenses:
  - Transfer payments increased by $0.1 billion, or 7.2 per cent.
  - Other direct program expenses increased by $3.1 billion, or 68.7 per cent, due mainly to adjustments recorded in August 2014 and August 2015 to reflect updated accrual estimates of pension and other employee and veteran future benefit costs based on the Government's latest actuarial valuations. In August 2014, the Government recorded a year-to-date downward adjustment in pension and other future benefit costs, while in August 2015 the Government recorded a year-to-date upward adjustment. The adjustments recorded in each year were driven largely by changes in interest rates, which are used in calculating the present value of the Government's future benefit obligations.

Public debt charges increased by $0.5 billion, or 23.5 per cent, reflecting in part charges from an August 2015 bond buyback operation.

April to August 2015

For the April to August 2015 period of the 2015–16 fiscal year, there was a budgetary surplus of $2.8 billion, compared to a deficit of $1.1 billion reported in the same period of 2014–15.

Revenues increased by $11.1 billion, or 10.3 per cent, to $119.4 billion.

- Personal income tax revenues were up $2.8 billion, or 5.3 per cent.
- Corporate income tax revenues were up $2.9 billion, or 23.6 per cent, reflecting assessments and reassessments for prior tax years.
- Non-resident income tax revenues were up $0.2 billion, or 10.3 per cent.
- Excise taxes and duties were up $1.9 billion, or 9.5 per cent. GST revenues were up $1.5 billion, or 10.8 per cent. Energy taxes were up $0.1 billion, customs import duties were up $0.3 billion, and other excise taxes and duties were up $0.1 billion.
- EI premium revenues were up $0.4 billion, or 3.7 per cent, reflecting growth in earnings.

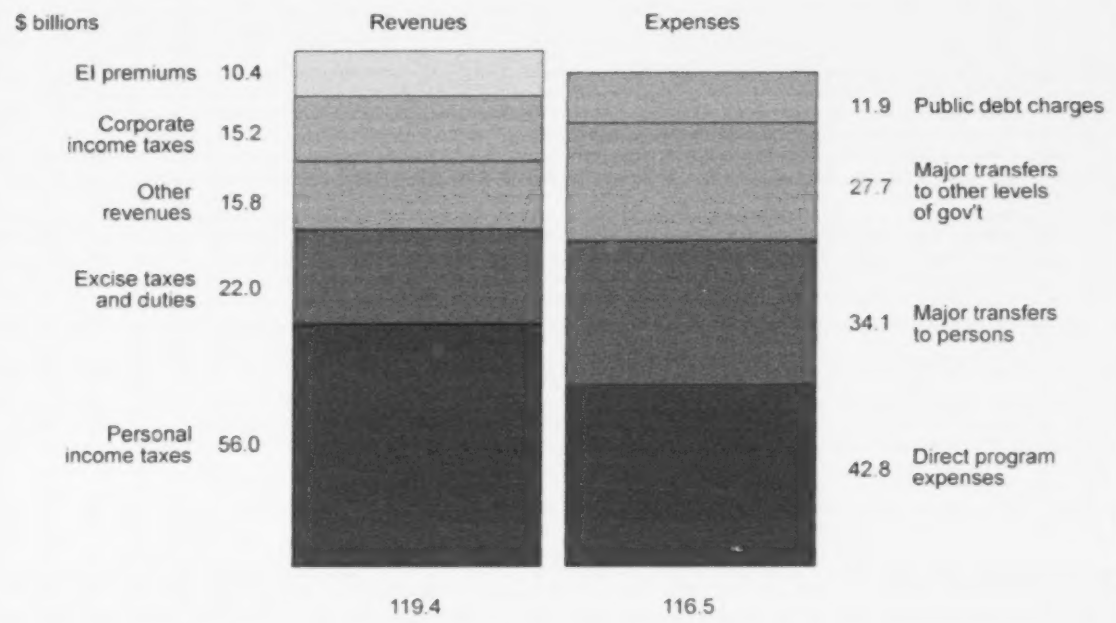
- Other revenues were up $2.9 billion, or 27.6 per cent, primarily reflecting the gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015.

For the April to August 2015 period, program expenses were $104.7 billion, up $7.4 billion, or 7.6 per cent, from the same period the previous year.

- Major transfers to persons were up $3.6 billion, or 11.9 per cent. Elderly benefits increased by $0.8 billion, or 4.6 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.7 billion, or 9.8 per cent. Children's benefits were up $2.1 billion, or 38.9 per cent, largely reflecting increased benefits related to the expansion and enhancement of the UCCB.
- Major transfers to other levels of government were up $1.2 billion, or 4.5 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up $2.6 billion, or 6.5 per cent. Within direct program expenses:
  - Transfer payments increased by $0.2 billion, or 1.9 per cent.
  - Other direct program expenses increased by $2.4 billion, or 8.4 per cent, largely reflecting an increase in pension and other employee and veteran future benefit expenses.

Public debt charges decreased by $0.3 billion, or 2.1 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Revenues and expenses (April to August 2015)



Note: Totals may not add due to rounding.

Financial requirement of $13.5 billion for April to August 2015

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $2.8 billion and a requirement of $16.4 billion from non-budgetary transactions, there was a financial requirement of $13.5 billion for the April to August 2015 period, compared to a financial requirement of $3.9 billion for the same period the previous year.

Net financing activities up $22.4 billion

The Government financed this financial requirement of $13.5 billion and increased cash balances by $8.8 billion by increasing unmatured debt by $22.4 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of August 2015 stood at $36.8 billion, up $6.8 billion from their level at the end of August 2014.

Table 1
Summary statement of transactions
$ millions

	August		April to August	
	2014	2015	2014–15	2015–16
Budgetary transactions				
Revenues	19,354	22,184	108,247	119,355
Expenses				
Program expenses	-17,657	-22,035	-97,245	-104,665
Public debt charges	-2,013	-2,487	-12,125	-11,867
Budgetary balance (deficit/surplus)	-316	-2,338	-1,123	2,823
Non-budgetary transactions	2,990	3,031	-2,765	-16,370
Financial source/requirement	2,674	693	-3,888	-13,547
Net change in financing activities	-6,304	-2,161	7,746	22,354
Net change in cash balances	-3,630	-1,468	3,858	8,807
Cash balance at end of period			29,932	36,756

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	August			April to August		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	10,903	11,653	6.9	53,171	55,970	5.3
Corporate income tax	481	2,089	334.3	12,317	15,227	23.6
Non-resident income tax	460	567	23.3	2,217	2,445	10.3
Total income tax	11,844	14,309	20.8	67,705	73,642	8.8
Excise taxes and duties						
Goods and Services Tax	2,554	2,754	7.8	13,402	14,854	10.8
Energy taxes	465	485	4.3	2,218	2,337	5.4
Customs import duties	404	494	22.3	1,938	2,227	14.9
Other excise taxes and duties	529	537	1.5	2,527	2,580	2.1
Total excise taxes and duties	3,952	4,270	8.0	20,085	21,998	9.5
Total tax revenues	15,796	18,579	17.6	87,790	95,640	8.9
Employment Insurance premiums	1,510	1,568	3.8	10,004	10,378	3.7
Other revenues	2,048	2,037	-0.5	10,453	13,337	27.6
Total revenues	19,354	22,184	14.6	108,247	119,355	10.3

Note: Totals may not add due to rounding.

Table 3
Expenses

	August			April to August		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,575	3,698	3.4	17,848	18,669	4.6
Employment Insurance benefits	1,431	1,848	29.1	7,300	8,013	9.8
Children's benefits	1,089	1,485	36.4	5,364	7,453	38.9
Total	6,095	7,031	15.4	30,512	34,135	11.9
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,676	2,836	6.0	13,381	14,178	6.0
Canada Social Transfer	1,048	1,080	3.1	5,242	5,400	3.0
Total	3,724	3,916	5.2	18,623	19,578	5.1
Fiscal arrangements and other transfers[1]	1,672	1,688	1.0	8,827	9,109	3.2
Canada's cities and communities	0	0	n/a	987	979	-0.8
Quebec Abatement	-376	-384	2.1	-1,879	-1,922	2.3
Total	5,020	5,220	4.0	26,558	27,744	4.5
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	427	545	27.6	2,480	2,688	8.4
Agriculture and Agri-Food	61	108	77.0	186	355	90.9

Employment and Social Development	405	341	-15.8	1,914	2,139	11.8
Foreign Affairs, Trade and Development	193	138	-28.5	820	800	-2.4
Health	96	81	-15.6	1,261	1,260	-0.1
Industry	216	246	13.9	907	953	5.1
Other[1]	640	726	13.4	4,051	3,645	-10.0
Total	2,038	2,185	7.2	11,619	11,840	1.9
Other direct program expenses						
Crown corporations	499	707	41.7	2,828	3,353	18.6
National Defence	1,677	2,460	46.7	8,116	8,809	8.5
All other departments and agencies	2,328	4,432	90.4	17,612	18,784	6.7
Total other direct program expenses	4,504	7,599	68.7	28,556	30,946	8.4
Total direct program expenses	6,542	9,784	49.6	40,175	42,786	6.5
Total program expenses	17,657	22,035	24.8	97,245	104,665	7.6
Public debt charges	2,013	2,487	23.5	12,125	11,867	-2.1
Total expenses	19,670	24,522	24.7	109,370	116,532	6.5

Note: Totals may not add due to rounding.

[1] Comparative figures have been reclassified to conform to the presentation in the 2014-15 Consolidated Financial Statements of the Government of Canada.

Table 4
The budgetary balance and financial source/requirement
$ millions

	August		April to August	
	2014	2015	2014–15	2015–16
Budgetary balance (deficit/surplus)	-316	-2,338	-1,123	2,823
Non-budgetary transactions				
Capital investment activities	-173	-276	-1,269	-1,376
Other investing activities	232	-272	4,469	-1,167
Pension and other accounts	-789	1,516	440	1,862
Other activities				
Accounts payable, receivables, accruals and allowances	3,202	3,449	-10,507	-13,398
Foreign exchange activities	185	-1,753	2,364	-4,148
Amortization of tangible capital assets	333	367	1,738	1,857
Total other activities	3,720	2,063	-6,405	-15,689
Total non-budgetary transactions	2,990	3,031	-2,765	-16,370
Financial source/requirement	2,674	693	-3,888	-13,547

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	August		April to August	
	2014	2015	2014–15	2015–16
Financial source/requirement	2,674	693	-3,888	-13,547
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-268	-3,480	5,576	4,283
Treasury bills	-5,300	200	4,200	11,400
Retail debt	-21	-22	-143	-101
Total	-5,589	-3,302	9,633	15,582
Foreign currency borrowings	117	529	-223	3,483
Total	-5,472	-2,773	9,410	19,065
Cross-currency swap revaluation	-409	614	-1,379	3,024
Unamortized discounts and premiums on market debt	-110	12	-4	384
Obligations related to capital leases and other unmatured debt	-313	-14	-281	-119
Net change in financing activities	-6,304	-2,161	7,746	22,354
Change in cash balance	-3,630	-1,468	3,858	8,807

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2015	August 31, 2015	Change
Liabilities			
Accounts payable and accrued liabilities	123,631	106,413	-17,218
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	487,881	492,164	4,283
Treasury bills	135,692	147,092	11,400
Retail debt	5,660	5,559	-101
Subtotal	629,233	644,815	15,582
Payable in foreign currencies	20,267	23,750	3,483
Cross-currency swap revaluation	6,669	9,693	3,024
Unamortized discounts and premiums on market debt	4,296	4,680	384
Obligations related to capital leases and other unmatured debt	4,715	4,596	-119
Total unmatured debt	665,180	687,534	22,354
Pension and other liabilities			
Public sector pensions	152,664	152,262	-402
Other employee and veteran future benefits	76,140	78,585	2,445
Other liabilities	6,002	5,821	-181
Total pension and other liabilities	234,806	236,668	1,862

Total interest-bearing debt	899,986	924,202	24,216
Total liabilities	1,023,617	1,030,615	6,998
Financial assets			
Cash and accounts receivable	136,696	141,683	4,987
Foreign exchange accounts	85,018	89,166	4,148
Loans, investments, and advances (net of allowances)[1]	113,681	113,727	46
Public sector pension assets	1,263	1,263	0
Total financial assets	336,658	345,839	9,181
Net debt	686,959	684,776	-2,183
Non-financial assets	74,629	74,148	-481
Federal debt (accumulated deficit)	612,330	610,628	-1,702

Note: Totals may not add due to rounding.

[1] August 31, 2015 amount includes $1.1 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to August 2015 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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